

If you find the idea of renting to own (RTO) appealing, you should shop around the rent to own businesses just like you would if making a purchase for cash. Call each company and find out what kind of terms and conditions they offer, such as:

**Total of Payments (as compared to the price one would pay by cash or store credit).** Remember that the real total price for an RTO contract is determined by multiplying the amount of each rental payment times the number of payments required to become the owner of the item at the end of the lease.

**Does the company guarantee that the items being rented are new?** The lessor must state whether the item is new or used. If the item is used, you should decide whether the payments total a fair cost for the used item.

**Even though the company may provide repairs at no charge, does it also provide a substitute at no extra charge or stop payments during the repair period?**

**Does the company require the renter to purchase insurance on the rented item, even though the consumer may already have home coverage?**

#### **INDIANA RENTAL PURCHASE AGREEMENT ACT (IC 24-7)**

Before you enter into a rental purchase agreement, you should be aware of the lessor's responsibilities under the Indiana Rental Purchase Agreement Act:

**Written agreement...** The lessor shall reduce a rental purchase agreement to writing.

**Disclosures required...** The following required disclosures shall be given before the rental purchase agreement is consummated; be stated clearly and conspicuously; and in words and phrases that have a nontechnical meaning. The disclosures may be included in the rental purchase agreement or in a separate writing that references the rental purchase agreement.

- (1) A brief description of the property sufficient to identify the property to the lessee and lessor.
- (2) The total number, total amount, and timing of all rental payments necessary to acquire ownership of the property, including taxes paid to or through the lessor.
- (3) A statement that the lessee will not own the property until the lessee has:
  - (A) made the number of rental payments and the total of rental payment necessary to acquire ownership of the property; or
  - (B) exercised an early purchase option.
- (4) A statement that charges in addition to the total rental payment necessary to acquire ownership of the leased property

may be imposed under the agreement and that the lessee should read the contract for an explanation of these charges.

(5) A brief explanation of all additional charges that may be imposed under the agreement. If a security deposit is required, the explanation must include an explanation of the conditions, under which the deposit will be returned to the lessee.

(6) A statement indicating who is responsible for property if it is lost, stolen, damaged, or destroyed.

(7) A statement indicating that the value of lost, stolen, damaged, or destroyed property is its fair market value on the date that it is lost, stolen, damaged, or destroyed.

(8) A statement indicating whether the property is new or used. However, property that is new may be described as used.

(9) A statement that the lessee has an early purchase option to purchase the property at any time during the period that the rental purchase agreement is in effect. The statement must specify the price or the formula or other method for determining the price at which the property may be purchased.

(10) A brief explanation of the lessee's right to reinstate a rental purchase agreement and a description of the amount, or method of determining the amount, of any penalty or other charge applicable under IC 24-7.5 to the reinstatement of a rental purchase agreement.

**Rental payment receipts...** The lessor shall furnish the lessee, without request by the lessee, a written receipt for each rental payment made in cash or by another method of rental payment that does not provide evidence of the rental payment.

**Ownership acquisition...** At any time after the first rental payment is made, the lessee may acquire ownership of the property under the terms specified in the rental purchase agreement.

**Assignment of earnings as payment...** A lessor may not accept an assignment of earnings from the lessee for payment or as security for payment for a charge arising under a rental purchase agreement. An assignment of earnings in violation of this section is unenforceable by the assignee of the earnings and revocable by the lessee. The Act does not prohibit a lessee from authorizing deduction from the lessee's earnings if the authorization is revocable and is otherwise permitted by law.

**Repossession limited...** A lessor may not require a lessee to authorize the lessor or a person acting on the lessor's behalf to unlawfully enter upon the lessee's premises or to commit any breach of the peace in the repossession of the property.

**Mandatory insurance; early termination of agreement or item return penalties; fees or charges imposed on cosigner...** A lessor may not require any of the following:

(1) The mandatory purchase of insurance by the lessee from the lessor.

(2) A penalty for early termination of a rental purchase agreement or for the return of an item at any point, except charges authorized under IC 24-7-5.

(3) A payment by a cosigner of the rental purchase agreement for any fees or charges that may not be imposed on the lessee as part of the rental purchase agreement.

**Additional payments...** Except as provided in Ownership acquisition, a lessee may not be required to make any payment in addition to regular rental payments in order to acquire ownership of the property or pay rental payments totaling more than the cost to acquire ownership stated in the rental purchase agreement.

#### **ALLOWABLE ADDITIONAL CHARGES**

**Nonrefundable processing fee...** A lessor may contract for and receive an initial nonrefundable processing fee not to exceed \$10.

**Security deposit refunds...** A lessor may refuse to refund any part of a security deposit provided by a lessee only under the conditions authorized in the rental purchase agreement.

**Delivery charges...** A lessor may contract for and receive a reasonable delivery charge if the lessor actually delivers the item to the lessee at a place other than the lessor's place of business. The delivery charge may be assessed in lieu of and not in addition to any initial processing charge imposed.

**Rental payment pick-up charges...** A lessor may contract for and receive a charge for picking up rental or other payments from the lessee if the lessor is required or requested to visit the lessee to pick up a payment at a place other than the lessor's place of business. A charge assessed may not exceed \$10.

**Late charges or delinquency fees...** The parties may contract for late charges or delinquency fees as follows:

- (1) For rental purchase agreements with monthly renewal dates, a late charge not exceeding \$5 may be assessed on any rental payment not made within 5 days after the renewal date for the agreement; or the return of the property is required under the rental purchase agreement.
- (2) For rental purchase agreements with weekly or biweekly renewal dates, a late charge not exceeding \$1 for any payment not greater than \$9.50; \$2 for any payment greater than \$9.50 but not greater than \$19.50; or \$3 for any payment greater than \$19.50 may be assessed on any rental payments not made within 3 days after the renewal date for the agreement; or the

return of the property is required under the rental purchase agreement.

A late charge on a rental purchase agreement may be collected only once on any accrued rental payment, no matter how long it remains unpaid. A late charge may be collected at any time after it accrues. A late charge may not be assessed against a rental payment that is timely made, even though an earlier late charge has not been paid in full.

**Reinstatement fee...** A reinstatement fee imposed may not exceed \$5.

**Sales and use taxes...** The lessor may require the lessee to pay any state sales and use taxes levied in connection with a rental purchase agreement.

**Official fees...** A lessor may contract for and receive from the lessee an amount equal to all official fees required to be paid under a rental purchase agreement.

**Replacement cost...** If a lessee is liable to a lessor for the replacement cost of property leased under a rental purchase agreement, the lessor may not charge the lessee more than the fair market value for the property.

**Liability waiver fee...** A lessor and a lessee may contract for a liability waiver fee in the following amounts:

- (1) In the case of a rental purchase agreement with weekly or biweekly renewal dates, the liability waiver fee may not exceed the greater of 10% of a periodic lease payment due or \$2.
- (2) In the case of a rental purchase agreement with monthly renewal dates, the liability may not exceed the greater of 10% of a periodic lease payment due or \$5.

The selling or offering for sale of a liability damage waiver under this section is subject to the following prohibitions and requirements:

- (1) A lessor may not sell or offer to sell a liability damage waiver unless all restrictions, conditions, and exclusions are printed in the rental purchase agreement, or in a separate agreement, in 8 point type or larger; or written in ink or typewritten in or on the face of the rental purchase agreement in a blank space provided therefor.
- (2) The liability damage waiver may exclude only loss or damage to the property that is the subject of the rental purchase agreement caused by moisture, scratches, mysterious disappearance, vandalism, abandonment of the property, or any other damage intentionally caused by the lessee or that results from the lessee's willful or wanton misconduct.

(3) The liability damage waiver agreement must include a statement of the total charge for the liability damage waiver. The liability damage waiver agreement must display in 8 point boldface type the following:

***NOTICE: THIS CONTRACT OFFERS FOR AN ADDITIONAL CHARGE, A LIABILITY DAMAGE WAIVER TO COVER YOUR RESPONSIBILITY FOR DAMAGE TO THE PROPERTY. BEFORE DECIDING WHETHER TO PURCHASE THE LIABILITY DAMAGE WAIVER, YOU MAY WISH TO DETERMINE WHETHER YOUR OWN HOMEOWNERS OR CASUALTY INSURANCE AFFORDS YOU COVERAGE FOR DAMAGE TO THE RENTAL PROPERTY, AND THE AMOUNT OF THE DEDUCTIBLE UNDER YOUR OWN INSURANCE COVERAGE. THE PURCHASE OF THIS LIABILITY DAMAGE WAIVER IS NOT MANDATORY AND MAY BE DECLINED.***

The restrictions, conditions, and exclusions of the liability damage waiver must be disclosed on the agreement or on a separate agreement, sheet, or handout given to the lessee before entering into the rental purchase agreement. The separate contract, sheet, or handout must be signed or otherwise acknowledged by the lessee as being received before entering into the rental purchase agreement.

#### REINSTATEMENT

A lessee who fails to make timely rental payments has the right to reinstate the original rental purchase agreement without losing any rights or options previously acquired under the rental purchase agreement if subsequent to having failed to make a timely rental payment, the lessee promptly surrenders the property to the lessor, if requested by the lessor and not more than 60 days has elapsed since the lessee returned the property.

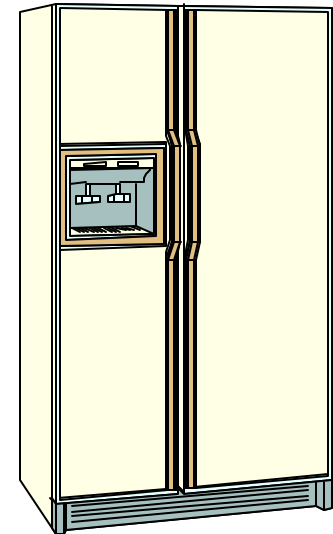
**Condition precedent to reinstatement; charges...** As a condition precedent to reinstatement of the rental purchase agreement, a lessor may charge:

- (1) the outstanding balance of any accrued rental payments and delinquency charges;
- (2) a reinstatement fee not exceeding the amount allowed; and
- (3) delivery charges not exceeding the amount allowed if redelivery of the item is necessary.

A reinstatement fee may not be charged unless the property has been returned to the lessor and is in the lessor's possession.



# TIPS ON RENTING-TO-OWN



#### DEPARTMENT OF FINANCIAL INSTITUTIONS

Consumer Credit Division  
30 South Meridian Street, Suite 300  
Indianapolis, Indiana 46204  
317-232-3955  
1-800-382-4880

